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FISCAL IMPACT REPORT

ORIGINAL DATE 2/8/07

SPONSOR Moore LAST UPDATED 2/14/07 HB 697

SHORT TITLE Tax Incentive Accountability SB _____

ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
NFI	NFI		

(Parenthesis () Indicate Expenditure Decreases)

Relates to House Bill 235.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$0.1		\$0.1	Non- Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)
 Department of Labor (DOL)
 Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 697 would establish a data sharing mechanism to provide information on the effectiveness of economic development tax incentives. The bill would require a reciprocal agreement between the Taxation and Revenue Department (TRD) and the Department of Labor (DOL) to correlate data regarding employers receiving tax incentives among the tax databases of

TRD and the employment databases maintained by DOL. The Secretary of TRD would be required to report quarterly to the Legislative Finance Committee, in aggregate and by type of tax incentive, the number of jobs and level of wages for companies receiving incentives.

FISCAL IMPLICATIONS

The fiscal impact is limited to administrative costs of TRD. The department may need additional non recurring funding in FY08 to develop the agreement and produce the first report. Thereafter, the report should not have a significant impact on department operations. However, TRD estimates that the administrative impact would be significant and additional resources would be needed. See the section on administrative implications for more detail.

SIGNIFICANT ISSUES

To date, the only information available about tax incentives comes from TRD and the companies themselves. TRD has information on the amount of the credit and the number of recipients but has no information on job creation or wages paid to employees. This bill would establish a mechanism to share information with DOL on obtaining employment and wage information for these incentives. Companies generally report information upon application but then the reporting is voluntary and there are no empirically validated data. By directing TRD to pass along employer identification information to DOL, DOL can match the employers with their employment databases.

By aggregating the information and publishing quarterly, there should be no breaches of confidentiality. The TRD report should include the following information: name of tax credit, amount of tax credit issued in quarter, number of employers receiving credit, number of jobs of employers receiving credit, amount of wages paid by employers receiving credit.

EDD notes that this legislation is significant since there are existing issues surrounding the sharing of data between state agencies. Since tax incentives, employment data, and job creation are all intertwined and impact TRD, DOL, and the Economic Development Department, respectively, this legislation creates an opportunity to accurately examine New Mexico's efforts to create jobs.

PERFORMANCE IMPLICATIONS

Quarterly reports using DOL data will add significant accountability to the tax incentives and, as time goes by, there should be a series of data that will show the success of tax incentives.

ADMINISTRATIVE IMPLICATIONS

TRD finds that the bill would have significant impacts on the department. "Providing reports on a quarterly basis will become a major new responsibility for the Office of the Secretary. . . . Although periodic reporting on the use of tax incentives is a desirable goal, this responsibility would be much better handled on an annual basis, and the Department should be provided additional resources for the task."

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TRD also notes that the data sharing information agreement with DOL would not be straightforward. Matching data from the two systems would become a full time responsibility for a senior economic analyst.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 697 relates to House Bill 235, requiring a tax expenditure budget.

BE/sb